

# Fiscal Note

*Fiscal Services Division*



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**HF 645** – Waste Water Treatment Sales Tax Exemption (LSB 2260HV)  
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## **Description**

**House File 645** provides a sales tax exemption for water or effluent treatment for paper recycling plants.

## **Assumptions**

Assumptions include:

- There are two paper recycling plants in Iowa that will be eligible for the sales tax exemption provided in this Bill.
- Services for the water treatment for these plants is estimated to total approximately \$4.6 million in FY 2013.
- Growth in the total sales is assumed to be 3.6% in FY 2014, 3.7% in FY 2015, and 2.7% in FY 2016 and subsequent fiscal years.
- Counties where the plants are located impose a local option sales tax (LOST) of 1.0%.

## **Fiscal Impact**

The estimated fiscal impact of HF 645 will be a reduction in state sales tax revenue of approximately \$300,000 each fiscal year. The following table provides the estimated revenue reduction to the General Fund and the Secure an Advanced Vision for Education (SAVE) Fund.

Estimated Reduction in State Sales Tax			
	FY 2014	FY 2015	FY 2016
Reduction in General Fund Portion	\$ 239,000	\$ 248,000	\$ 255,000
Reduction in SAVE Fund Portion	48,000	50,000	51,000
Est. Reduction in LOST	\$ 48,000	\$ 50,000	\$ 51,000

Additionally, the total LOST amount will be reduced by approximately \$50,000 each fiscal year.

## **Sources**

Iowa Department of Revenue  
Iowa Association of Business and Industry  
LSA analysis and calculations

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/s/ Holly M. Lyons

May 1, 2013

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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